From: "Gregory Smith" <greg.smith@unitedsouthernbank.com> on 02/15/2006 05:00:00 PM

Subject: Interagency Concentrations in Commercial Real Estate Lending

Gregory Smith
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Jennifer Johnson

Dear Jennifer Johnson:

I write because I think it important to comment on the Guidance being proposed with respect to commercial real estate lending. Commercial real estate lending is an extremely important part of the economy in Florida as well as nationwide. It is also an extremely important part of bank lending.

I understand the need for sound lending and sound loan portfolios. I have concerns, however, that the Guidance as announced will have a negative overall effect on my institution and the economy as a whole.

My concerns are not so much with the individual practices set out in the Guidance, but rather with the way the Guidance is imposed. We have had experience in which examiners impose even existing regulations differently than they previously had done. The proposed Guidance contains certain thresholds and a laundry list of practices and requirements. I am concerned that the rules of the game have suddenly changed and not necessarily to decrease any lending risk but merely to create paperwork and expense.

Specifically there are several points we would like for the Guidance to make clear. First, that in looking at concentrations there will not be a one size fits all response. Each of our institutions has a different history, different controls, different portfolios, and different markets. When those in the field determine there is a concentration any response needs to be tailored for the specific circumstances.

Second, we hope the Guidance will make it very clear that if the concentration thresholds are exceeded it does not automatically require a capital increase. Any increase should be in the context of the circumstances of the particular institution.

Third, the Guidance should expressly indicate that its purpose is not to discourage commercial real estate lending.

If the Guidance is imposed in a mechanical or arbitrary manner or if it is intended to effect a policy shift discouraging commercial real estate lending then leave it as it is. Secured real estate lending has been, in the long run, one of the more secure types of lending for commercial institutions. If such loans are not available then will we have to look to other types of credits which historically have been more risky?

Perhaps most important, if the message is perceived to be that commercial real estate lending has great regulatory risk or expense, then such loans will significantly diminish. This could lead to systemic problems for banks far beyond the risk of commercial real estate loans.

I thank you for your consideration of these concerns and comments and hope that the final Guidance will address them in a meaningful way

Sincerely,

Gregory C. Smith